

FORTIFIED INCOME FUND



**THINK AHEAD.
STAY AHEAD.**

PICTON MAHONEY FORTIFIED INCOME FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Picton Mahoney Fortified Income Fund (the "Fund"). If you have not received a copy of the annual financial statements with the management report of fund performance, you may obtain a copy of the annual financial statements, at no cost, by calling 416-955-4108 or toll-free at 1-866-369-4108, by writing to us at Picton Mahoney Asset Management, 33 Yonge Street, Suite 320, Toronto ON M5E 1G4, or by visiting our website at www.pictonmahoney.com or SEDAR+ at www.sedarplus.ca.

Securityholders may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Picton Mahoney Fortified Income Fund is to maximize total return to Unitholders through income and capital appreciation by investing primarily in global income securities while mitigating capital loss by engaging in hedging strategies for downside risk protection. Picton Mahoney Asset Management is the manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and the trustee (the "Trustee") of the Fund.

To achieve the investment objective, the Fund invests in an actively managed portfolio composed primarily of global corporate debt securities. The Fund may also invest in government bonds, loans, convertible bonds, preferred shares, and equities. The Fund will not be limited in the type of income securities in which it may invest. In selecting securities for the portfolio, the Portfolio Manager will focus on securities that it believes will maximize risk-adjusted returns.

The Fund may also choose to: i) invest a portion of the Fund's assets in exchange-traded funds to gain exposure to the securities described herein; ii) invest up to 100% of its portfolio in foreign securities; iii) engage in short selling in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations; iv) engage in securities lending, repurchase and reverse repurchase transactions as permitted by securities regulations to seek to generate additional income; and v) use derivative instruments, such as options, futures, forward contracts and swaps, for both hedging and non-hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations, including to: 1) hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies; 2) implement option spreads by purchasing an option on a security and simultaneously selling an option on the same security with the same expiry date; and 3) gain exposure to individual securities and markets instead of buying the securities directly.

The Fund has also obtained exemptive relief from Canadian securities regulatory authorities to invest in ETFs listed on a Canadian or United States stock exchange that seek to replicate the daily performance of a widely-quoted market index (i) in an inverse multiple of 100%, or (ii) by a multiple of up to 200% or an inverse multiple of up to 200% (in either case, a "Permitted ETF"). In each case: (a) the investment would be made by the Fund in accordance with its investment objective; (b) the Fund would not short sell securities of any Permitted ETF; (c) the aggregate investment by the Fund in Permitted ETFs would not

exceed 10% of the Fund's net asset value, taken at market value at the time of purchase; and (d) the Fund would not purchase securities of a Permitted ETF that tracks the inverse of its underlying index (a "Bear ETF") or short sell securities of any issuer if, immediately after such purchase or short sale, more than 20% of the net asset value of the Fund, taken at market value at the time of the transaction, would consist of, in aggregate, securities of Bear ETFs and all securities sold short by the Fund.

RISK

There is no assurance that the Fund will be able to achieve its total return, capital preservation and distribution investment objectives. There is no assurance that the portfolio will earn any return and no assurances can be given as to the amount of distributions in future years and that the net asset value (the "NAV") of the Fund will appreciate or be preserved.

While risks are numerous, we believe the following are the most pertinent ones to be mindful of today:

1. Fixed Income Investment Risk – Certain general investment risks can affect fixed income investments in a manner similar to equity investments. For example, specific developments relating to a company and general financial, political and economic (other than interest rate) conditions in the country in which the company operates. For government fixed income investments, general economic, financial and political conditions may affect the value of government securities. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of its fixed income investments will reduce the value of the Fund and therefore, the value of your investment. However, your investment will be worth more if the value of the fixed income investments in the portfolio increases.
2. Credit Risk – An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high quality corporate securities. Where this risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment. Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Lower rated debt instruments generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss.
3. Interest Rate Risk – Mutual funds that invest in fixed income securities, such as bonds, and money market instruments, are sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the funds that hold these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

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For further details relating to risks of investing in the Fund, please refer to the *Specific Investment Risks*, *Investment Risk Classification Methodology*, and *Who Should Invest in the Funds* sections of the Simplified Prospectus.

RESULTS OF OPERATIONS

For the year January 1, 2024 to December 31, 2024, the net asset value of the Fund increased by approximately \$88.9 million from \$744.2 million to \$833.1 million. During the same period, performance on the Fund's portfolio increased its assets by \$62.9 million. The Fund also received \$243.1 million in proceeds, had reinvestment of distributions of \$22.0 million, net redemptions of \$198.9 million, and paid distributions totaling \$40.2 million. For the year ended December 31, 2024, the Fund Class A units returned 7.35%, the Fund Class F units returned 8.57%, the Fund Class FT units returned 8.55%, the Fund Class T units returned 7.32%, and the Fund Class I units returned 9.66%. Class A, F, FT, T and I units all outperformed the reference index (the "Performance Fee Index"). The Performance Fee Index is comprised of 75% BofA Merrill Lynch Global High Yield Index and 25% BofA Merrill Lynch Global Corporate Index reported in Canadian dollars. The Performance Fee Index returned 6.99% over the same period.

There have been no changes made to the broader Picton Mahoney Fortified Income Fund (the "Fund") during the reporting period. The Fund has been invested in a basket of global corporate bonds selected in a bottom-up approach diversified by sectors. These investments are primarily in medium-grade fixed income securities (rated B-BBB) issued in developed markets. Short positions have been diversified with a blend of market-sensitive higher beta bonds and story credit deterioration situations. The hedging overlay was invested primarily in put options against credit and equity indices as well as government bond futures. The Fund was 100% currency-hedged during the period.

Over this timeframe, we remained focused on providing sustainable income, growth and downside protection. Based on market conditions, our target net position was 85 - 95% invested in securities, taking advantage of attractive carry in shorter dated corporate bonds and event-driven special situations. Geographically, investments have been concentrated in Canada and the US, as well as select European names. From a sector exposure perspective, the Fund has been well diversified with an overweight in Financials and Energy sectors.

The Fund outperformed its benchmark (75% ICE BofA Merrill Lynch Global High Yield Index / 25% ICE BofA Merrill Lynch Global Corporate Index (TR) (Hedged to CAD)) over the 12-month period. Strong alpha generation from our event-driven investments helped to offset hedging costs and negative carry from shorts and allowed us to outperform during the period.

We continued to employ the options overlay hedging strategy in the Fund, allocating the option budget over rate, credit and cross-asset indices, depending on the exposure of the portfolio and the relative attractiveness of the cost to hedge.

RECENT DEVELOPMENTS

Credit spreads remain at the bottom of their recent ranges, driven partly by continued inflows to the asset class and yields that are sufficiently attractive to larger pension plans and annuities. Defaults remain low, and issuers continue to have easy access to capital with very strong corporate issuance throughout the period.

With lingering inflation risk, and the market beginning to focus more on fiscal deficits globally, we see challenging risk/reward in long duration bonds. While credit fundamentals and technicals remain healthy, current spread levels leave investors with very little margin of safety.

With this macro backdrop, we believe investors are best served by an active long/short investment strategy that can cushion against market volatility and higher interest rates. Our team continues to focus on finding event-driven situations to drive uncorrelated alpha and we've been adding to credit shorts and hedges to further reduce our market beta.

RELATED PARTY TRANSACTIONS

Picton Mahoney Asset Management is the manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee ("the Trustee") of the Fund. The Manager is an investment manager focused on equity and fixed income securities investments with approximately \$12.0 billion of assets under management as of December 31, 2024.

Management Fees

As a result of providing investment and management services, the Manager receives a management fee calculated and accrued daily based on the NAV of the class of units of the Fund, plus applicable taxes, payable on the last day of each calendar quarter. For the year ended December 31, 2024, the Fund incurred management fees of \$8,313,709 (December 31, 2023 - \$7,471,921). Management fees in respect of Class I units are direct fees negotiated with the investor, paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's shares, investment advice, as well as general administrative expenses relating to Picton Mahoney's role as Manager. The following is a breakdown:

As a Percentage of Management Fees			
	Annual Rates	Dealer Compensation	General Administration and Investment Advice
Class A units	1.90%	52.37%	47.63%
Class F units	0.90%	-	100.00%
Class FT units	0.90%	-	100.00%
Class T units	1.90%	52.43%	47.57%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$775,857 for the year ended December 31, 2024.

Performance Fees

The Manager receives a performance fee in respect of each class of units of the Fund. The performance fee is equal to the daily NAV of the class of units of a Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in a reference index (the "Performance Fee Index") since the end of the period for which the last performance fee was paid, plus applicable taxes. If at any time the total return of the class of units of a Fund is less than its Performance Fee Index, then no performance fee will be payable until the total return of the class of units

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of such Fund relative to its Performance Fee Index exceeds the amount of the deficiency calculated on a percentage basis. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. For the year ended December 31, 2024, the Fund incurred no performance fee (December 31, 2023 - \$nil).

Independent Review Committee

The Fund receives standing instructions (the "SI") from the independent review committee (the "IRC"). The SI constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the SI on an ongoing basis. The SI is designed to ensure that the Manager's actions are carried out in accordance with the law, the instrument and the Manager's policies and procedures in order to achieve a fair and reasonable result for the Fund. The SI outlines actions related to i) Fees and Expenses; ii) Trade Allocations; iii) Broker Selections; iv) Code of Ethics and Conduct; v) Portfolio Pricing Issues, amongst other things. The Manager must provide the IRC with a written report summarizing each instance where the Manager has relied on the SI. For the year ended December 31, 2024, the IRC did not provide any recommendations to the Manager.

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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past periods as applicable.

Class A Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	9.85	9.82	10.84	10.97	10.67
Increase (decrease) from operations:					
Total revenue	0.66	0.65	0.52	0.47	0.46
Total expense	(0.25)	(0.27)	(0.38)	(0.31)	(0.33)
Realized gains (losses)	(0.05)	(0.13)	(0.45)	0.25	0.36
Unrealized gains (losses)	0.35	0.31	(0.35)	(0.20)	0.20
Total increase (decrease) from operations⁽¹⁾	0.71	0.56	(0.66)	0.21	0.69
Distributions:					
From income	(0.52)	(0.53)	(0.36)	(0.37)	(0.37)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.00)	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.52)	(0.53)	(0.36)	(0.37)	(0.37)
Net Assets, end of year	10.04	9.85	9.82	10.84	10.97

Class A Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	75,992	71,349	73,218	94,060	75,668
Number of units outstanding (000's) ⁽³⁾	7,567	7,243	7,453	8,680	6,896
Management expense ratio ⁽⁴⁾	2.29%	2.32%	3.07%	2.35%	2.53%
Management expense ratio before waivers or absorptions	2.29%	2.32%	3.07%	2.35%	2.53%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.24%	0.44%	0.68%	0.37%	0.60%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.51%	0.85%	1.10%	0.93%	1.10%
Portfolio turnover rate ⁽⁶⁾	103.86%	119.01%	131.35%	167.03%	233.87%
Net Asset Value per unit	10.04	9.85	9.82	10.84	10.97

Class F Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	10.59	10.44	11.46	11.44	11.09
Increase (decrease) from operations:					
Total revenue	0.71	0.69	0.55	0.49	0.47
Total expense	(0.15)	(0.17)	(0.35)	(0.18)	(0.26)
Realized gains (losses)	(0.05)	(0.15)	(0.50)	0.14	0.43
Unrealized gains (losses)	0.38	0.35	(0.32)	(0.15)	0.17
Total increase (decrease) from operations⁽¹⁾	0.89	0.72	(0.62)	0.30	0.81
Distributions:					
From income	(0.56)	(0.58)	(0.38)	(0.37)	(0.35)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.00)	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.56)	(0.58)	(0.38)	(0.37)	(0.35)
Net Assets, end of year	10.92	10.59	10.44	11.46	11.44

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Class F Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	700,101	603,417	509,028	506,169	292,314
Number of units outstanding (000's) ⁽³⁾	64,113	56,986	48,748	44,167	25,553
Management expense ratio ⁽⁴⁾	1.16%	1.18%	2.61%	1.20%	1.77%
Management expense ratio before waivers or absorptions	1.16%	1.18%	2.61%	1.20%	1.77%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.24%	0.44%	0.68%	0.37%	0.60%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.51%	0.85%	1.10%	0.93%	1.10%
Portfolio turnover rate ⁽⁶⁾	103.86%	119.01%	131.35%	167.03%	233.87%
Net Asset Value per unit	10.92	10.59	10.44	11.46	11.44

Class FT Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	8.07	7.92	8.86	9.25	9.38
Increase (decrease) from operations:					
Total revenue	0.54	0.52	0.42	0.39	0.39
Total expense	(0.11)	(0.13)	(0.28)	(0.15)	(0.21)
Realized gains (losses)	(0.03)	(0.09)	(0.37)	0.18	0.34
Unrealized gains (losses)	0.27	0.20	(0.28)	(0.16)	0.12
Total increase (decrease) from operations⁽¹⁾	0.67	0.50	(0.51)	0.26	0.64
Distributions:					
From income	(0.40)	(0.40)	(0.43)	(0.72)	(0.74)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.00)	-	(0.01)	(0.01)
Total annual distributions⁽¹⁾⁽²⁾	(0.40)	(0.40)	(0.43)	(0.73)	(0.75)
Net Assets, end of year	8.34	8.07	7.92	8.86	9.25

Class FT Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	20,565	27,332	26,698	45,163	36,442
Number of units outstanding (000's) ⁽³⁾	2,466	3,387	3,371	5,096	3,941
Management expense ratio ⁽⁴⁾	1.18%	1.20%	2.76%	1.23%	1.70%
Management expense ratio before waivers or absorptions	1.18%	1.20%	2.76%	1.23%	1.70%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.24%	0.44%	0.68%	0.37%	0.60%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.51%	0.85%	1.10%	0.93%	1.10%
Portfolio turnover rate ⁽⁶⁾	103.86%	119.01%	131.35%	167.03%	233.87%
Net Asset Value per unit	8.34	8.07	7.92	8.86	9.25

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Class T Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	7.43	7.38	8.29	8.76	8.95
Increase (decrease) from operations:					
Total revenue	0.49	0.48	0.40	0.37	0.37
Total expense	(0.19)	(0.20)	(0.30)	(0.24)	(0.27)
Realized gains (losses)	(0.04)	(0.11)	(0.37)	0.18	0.22
Unrealized gains (losses)	0.27	0.25	(0.21)	(0.15)	0.17
Total increase (decrease) from operations⁽¹⁾	0.53	0.42	(0.48)	0.16	0.49
Distributions:					
From income	(0.37)	(0.37)	(0.42)	(0.75)	(0.75)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.00)	-	(0.01)	(0.01)
Total annual distributions⁽¹⁾⁽²⁾	(0.37)	(0.37)	(0.42)	(0.76)	(0.76)
Net Assets, end of year	7.59	7.43	7.38	8.29	8.76

Class T Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	5,436	3,875	3,118	2,468	1,057
Number of units outstanding (000's) ⁽³⁾	716	522	423	298	121
Management expense ratio ⁽⁴⁾	2.32%	2.33%	3.17%	2.28%	2.54%
Management expense ratio before waivers or absorptions	2.32%	2.33%	3.17%	2.28%	2.54%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.24%	0.44%	0.68%	0.37%	0.60%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.51%	0.85%	1.10%	0.93%	1.10%
Portfolio turnover rate ⁽⁶⁾	103.86%	119.01%	131.35%	167.03%	233.87%
Net Asset Value per unit	7.59	7.43	7.38	8.29	8.76

Class I Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	12.28	11.99	12.83	12.64	11.95
Increase (decrease) from operations:					
Total revenue	0.83	0.80	0.62	0.55	0.52
Total expense	(0.05)	(0.07)	(0.10)	(0.08)	(0.10)
Realized gains (losses)	(0.05)	(0.15)	(0.52)	0.20	0.45
Unrealized gains (losses)	0.43	0.36	(0.45)	(0.21)	0.23
Total increase (decrease) from operations⁽¹⁾	1.16	0.94	(0.45)	0.46	1.10
Distributions:					
From income	(0.65)	(0.64)	(0.44)	(0.38)	(0.36)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.00)	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.65)	(0.64)	(0.44)	(0.38)	(0.36)
Net Assets, end of year	12.79	12.28	11.99	12.83	12.64

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Class I Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	31,088	38,257	44,025	61,164	31,373
Number of units outstanding (000's) ⁽³⁾	2,431	3,116	3,673	4,766	2,483
Management expense ratio ⁽⁴⁾	0.16%	0.19%	0.19%	0.21%	0.26%
Management expense ratio before waivers or absorptions	0.16%	0.19%	0.19%	0.21%	0.26%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.24%	0.44%	0.68%	0.37%	0.60%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.51%	0.85%	1.10%	0.93%	1.10%
Portfolio turnover rate ⁽⁶⁾	103.86%	119.01%	131.35%	167.03%	233.87%
Net Asset Value per unit	12.79	12.28	11.99	12.83	12.64

EXPLANATORY NOTES

- (1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash, reinvested in additional units of the Fund, or both.
- (3) This information is provided as at the periods shown.
- (4) The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the MER is annualized. Effective August 20, 2019, the management fee was changed in respect of certain classes of the Fund. If the change to the management fee would have been in effect throughout 2019, the adjusted MER for each class of the Fund would be: Class A - 2.32%, Class F - 1.21%, Class FT - 1.23%, Class T - 2.31%.
- (5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the TER is annualized. The TER is calculated at the fund level and applies to all classes of the Fund. The Fund's TER is shown both with and without the short dividend expense from equities and interest expense from fixed income securities.
- (6) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cost of purchases or proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.

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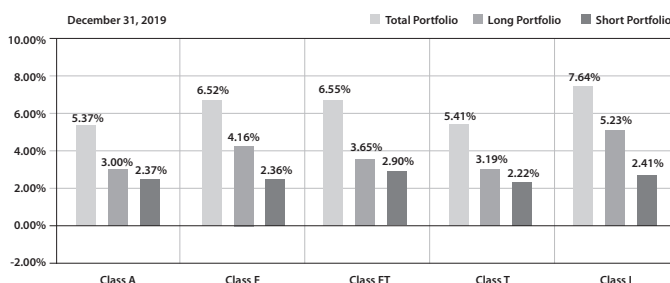
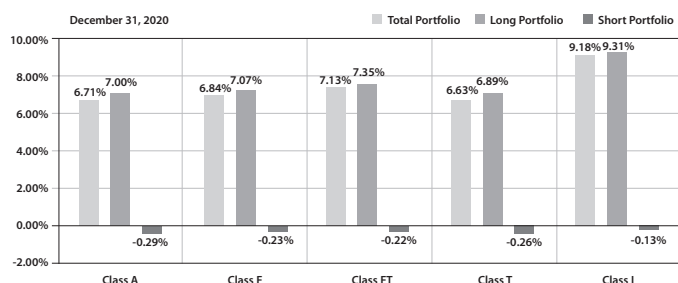
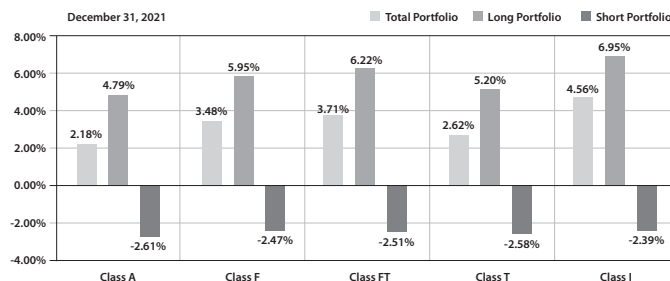
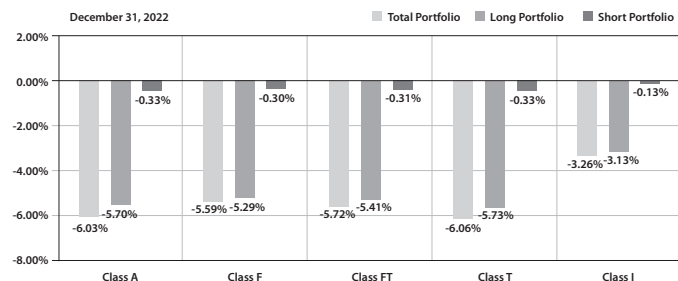
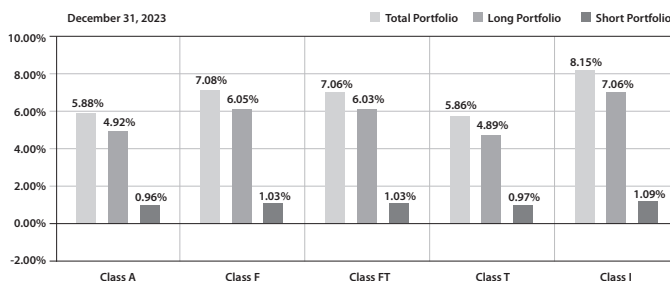
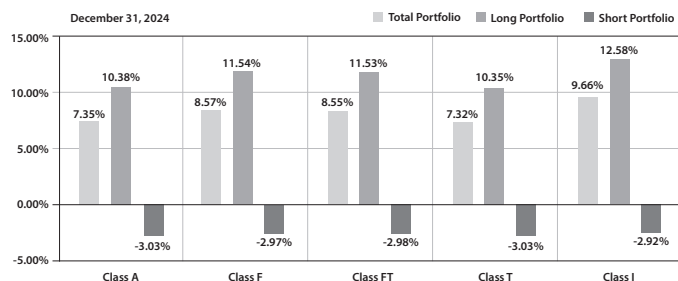
MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

PAST PERFORMANCE

This section describes the Fund's performance over the past period since inception. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. All rates of returns are calculated based on the NAV of the particular series of the Fund. Past returns of the Fund do not necessarily indicate how it will perform in the future.

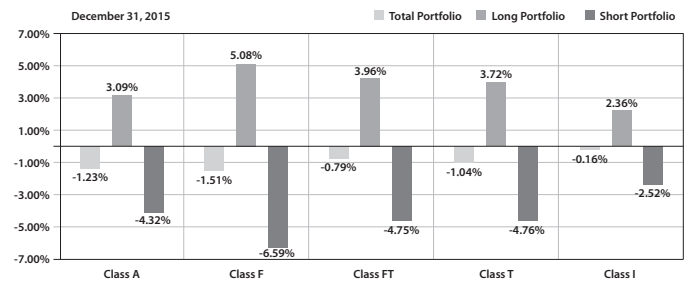
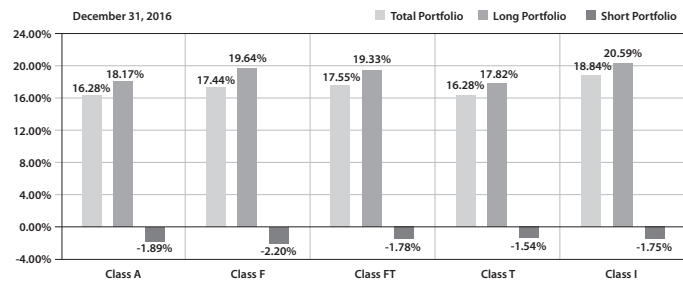
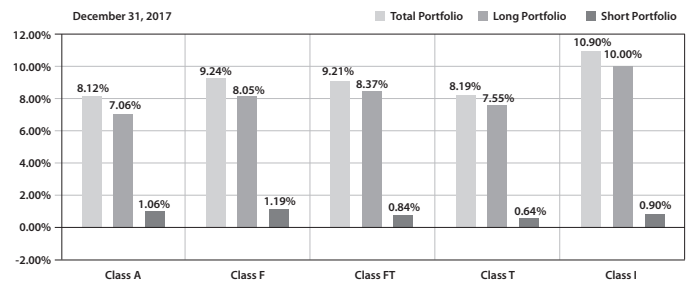
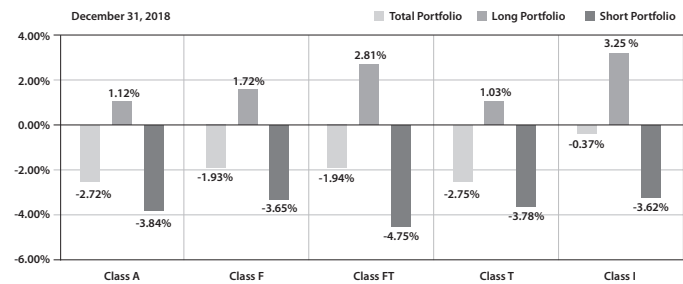
Year-by-Year>Returns

The following chart indicates the annual performance of each series of the Fund each year from inception on October 29, 2015 to December 31, 2024. The chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



PICTON MAHONEY FORTIFIED INCOME FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)



PICTON MAHONEY FORTIFIED INCOME FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

COMPOUND RETURNS

The following table presents the compound returns of the units of the Fund as compared to the Performance Fee Index for the years indicated to December 31, 2024.

The Performance Fee Index is comprised of 75% BofA Merrill Lynch Global High Yield Index and 25% BofA Merrill Lynch Global Corporate Index reported in Canadian dollars.

Further discussion of the Fund's performance can be found within the Results of Operations section.

Compound Returns	1 Year	3 Year	5 Year	Since Inception
Total portfolio - Class A units	7.35%	2.22%	3.09%	4.39%
Long portfolio - Class A units	10.38%	4.57%	8.79%	12.52%
Short portfolio - Class A units	-3.03%	-2.35%	-5.70%	-8.13%
Total portfolio - Class F units	8.57%	3.15%	3.94%	5.27%
Long portfolio - Class F units	11.54%	5.74%	9.30%	13.79%
Short portfolio - Class F units	-2.97%	-2.59%	-5.36%	-8.52%
Total portfolio - Class FT units	8.55%	3.09%	4.01%	5.40%
Long portfolio - Class FT units	11.53%	4.71%	8.83%	12.06%
Short portfolio - Class FT units	-2.98%	-1.62%	-4.82%	-6.66%
Total portfolio - Class T units	7.32%	2.19%	3.14%	4.44%
Long portfolio - Class T units	10.35%	5.33%	8.72%	13.60%
Short portfolio - Class T units	-3.03%	-3.14%	-5.58%	-9.16%
Total portfolio - Class I units	9.66%	4.68%	5.54%	6.94%
Long portfolio - Class I units	12.58%	6.01%	9.87%	13.81%
Short portfolio - Class I units	-2.92%	-1.33%	-4.33%	-6.87%
Performance Fee Index	6.99%	1.29%	2.30%	4.13%

PICTON MAHONEY FORTIFIED INCOME FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2024

Portfolio by Category		Top 25 Holdings	
	Percentage of Net Asset Value (%)		Percentage of Net Asset Value (%)
LONG POSITIONS		LONG POSITIONS	
Canadian Equities	3.3%	Cash	9.6%
Energy	2.3%	Prime Healthcare Services Inc. 9.375%, 2029-09-01	2.4%
Financials	0.7%	Chemtrade Logistics Inc. 6.375%, 2029-08-28	2.2%
Real Estate	0.3%	ATS Corp. 6.500%, 2032-08-21	2.0%
Global Equities	0.8%	Parkland Corp. 4.375%, 2029-03-26	1.7%
United States	0.6%	Toronto-Dominion Bank 7.232%, 2049-12-31	1.5%
International	0.2%	Matr Corp. 7.250%, 2031-04-02	1.5%
Canadian Debt	63.6%	Manitoulin USD Ltd. 13.290%, 2027-11-10	1.5%
Corporate Bonds	59.8%	Secure Energy Services Inc. 6.750%, 2029-03-22	1.5%
Asset-Backed Securities	3.8%	Sleep Country Canada Holdings Inc. 6.625%, 2032-11-28	1.4%
Global Debt	24.6%	Enbridge Inc. 5.000%, 2082-01-19	1.4%
United States Bonds	21.0%	Goeasy Ltd. 6.000%, 2030-05-15	1.3%
International Bonds	3.6%	Royal Bank of Canada 7.408%, 2049-12-31	1.3%
Derivatives	0.2%	Getty Images Inc. 9.750%, 2027-03-01	1.3%
Total Long Positions	92.5%	NRG Energy Inc. 5.750%, 2029-07-15	1.3%
SHORT POSITIONS		Bank of Montreal 7.373%, 2049-12-31	1.3%
Global Equities	-0.3%	iA Financial Corp. Inc. 6.921%, 2084-09-30	1.3%
International Index Equivalents	-0.3%	Enbridge Inc.	1.3%
Canadian Debt	-0.1%	Doman Building Materials Group Ltd. 7.500%, 2029-09-17	1.2%
Corporate Bonds	-0.1%	Bank of Nova Scotia 7.023%, 2082-07-27	1.2%
Global Debt	-4.3%	AutoCanada Inc. 5.750%, 2029-02-07	1.2%
United States Bonds	-4.1%	Gibson Energy Inc. 5.250%, 2080-12-22	1.1%
International Bonds	-0.2%	Wolf Midstream Canada LP 6.400%, 2029-07-18	1.1%
Derivatives	-1.5%	Inter Pipeline Ltd. 6.750%, 2054-12-12	1.1%
Total Short Positions	-6.2%	Shift4 Payments LLC 4.625%, 2026-11-01	1.1%
Cash	9.6%	Total Net Asset Value (\$000)	833,183
Other Assets (net)	4.1%		
Total	100.0%		

The Summary of Investment Portfolio may change due to ongoing portfolio transactions. A quarterly update is available on our website at www.pictonmahoney.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies and events. Forward-looking statements include words such as "anticipates," "believe," "could," "expect," "estimate," "may" or negative versions thereof and similar expressions. By their nature, forward-looking statements make assumptions on future events that are subject to inherent risks and uncertainties. There is significant risk that predictions on the Fund, future events and economic conditions will not prove to be accurate. Forward-looking statements are not guarantees of future performance and actual results may differ materially from management projected expectations due to factors such as general market and economic conditions, interest rates and foreign currency fluctuations, changes to regulatory requirements and guidelines, changes in technology, effects of competition in the various business areas and unforeseen natural disasters and catastrophes. As a result of these factors, readers of this document are cautioned not to place undue reliance on these statements and before making any investment decisions should clearly consider these factors, among other factors. All opinions contained in the forward-looking statements are subject to change without notice and are provided in good faith, unless required by applicable law.

**THINK AHEAD.
STAY AHEAD.**

A decorative horizontal bar consisting of a series of colored segments: black, dark grey, medium grey, light grey, and white.

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